



December 23, 2017

Legislative and Regulatory Activities Division  
Office of the Comptroller of the Currency  
Department of the Treasury  
400 7th Street SW, Suite 3E – 218 Mail Stop 9W-11  
Washington, DC 20219  
*Submitted through Federal eRulemaking Portal at [www.regulations.gov](http://www.regulations.gov)*

Ann E. Misback, Secretary  
Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue NW  
Washington, DC 20551  
*Submitted through Federal eRulemaking Portal at [www.regulations.gov](http://www.regulations.gov)*

Robert E. Feldman, Executive Secretary  
Attention: Comments/Legal ESS  
Federal Deposit Insurance Corporation  
550 17th Street NW  
Washington, DC 20429  
*Submitted through email to [comments@FDIC.gov](mailto:comments@FDIC.gov)*

RE: **NOTICE OF PROPOSED RULEMAKING**

**OCC:** Simplifications to the Capital Rule Pursuant to the Economic Growth and  
Regulatory Paperwork Reduction Act of 1996, 12 CFR Part 3  
**Docket ID OCC-2017-0018** **RIN 1557-AE10**

**BOARD:** Simplifications to the Capital Rule Pursuant to the Economic Growth and  
Regulatory Paperwork Reduction Act of 1996, 12 CFR Part 217, Regulation Q  
**Docket No. R-1576** **RIN 7100 AE-74**

**FDIC:** Simplifications to the Capital Rule Pursuant to the Economic Growth and  
Regulatory Paperwork Reduction Act of 1996, 12 CFR Part 324  
**RIN 3064-AE59**

Dear Sir and/or Madam:

The National Association of Government Guaranteed Lenders (NAGGL) is the national trade association that represents the lending community that delivers capital to the nation's small businesses through the loan programs of the Small Business Administration. Our members include

the private sector lenders, most of which are federally regulated, that provide loans through the Agency's flagship 7(a) loan guaranty program and also participate in the 504 Certified Development Company loan program, as well as a number Certified Development Companies. As you are aware, both the 7(a) and the 504 programs make essential contributions to the health of the nation's economy by providing entrepreneurial opportunities that allow the creation of new, and the growth of existing, small businesses, thus contributing to job creation, tax generation and overall economic development.

NAGGL understands and supports the intention of the Office of the Comptroller of the Currency ("OCC"), the Board of Governors of the Federal Reserve System (the "Board") and the Federal Deposit Insurance Corporation ("FDIC") to simplify compliance with certain aspects of the capital rule, and appreciates the opportunity to provide comments related to revisions to the treatment of certain acquisition, development, or construction exposures that are designed to address comments regarding the current definition of high volatility commercial real estate (HVCRE) exposure under the capital rule's standardized approach.

When considering how the 7(a) and 504 programs should be treated with regard to HVCRE, it is important to remember that SBA does not guarantee loans that support real estate purchases that are made for passive investment purposes. Rather, the properties being purchased must be actively used in the business operations of the borrower (or the related co-borrower/guarantor). So, repayment of the loans comes from the cash flow of the active small business operations, not from rental income or the potential future sales of the properties. Therefore, given the nature of the 7(a) and 504 Programs, it is the opinion of NAGGL that loans made under both programs, including the related interim lending that facilitates the 504 Program, should be exempt from HVADC designation and the resulting risk-based capital reserve requirements.

Thank you again for providing this opportunity to make the views of NAGGL's members known to the Office of the Comptroller of the Currency, the Federal Reserve System and the Federal Deposit Insurance Corporation.

Sincerely,



Anthony R. Wilkinson  
President and Chief Executive Officer

cc: William Manger, Associate Administrator for Capital Access